

Message Text

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73

ACTION EB-11

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E.O. 11652: N/A

TAGS: ETRD BCOM US PL

SUBJECT: JOINT US-POLISH TRADE COMMISSION: THIRD

SESSION: BUSINESS FACILITIES AND TAXATION

DEPT PASS COMMERCE FOR BEWT AND TREASURY

ALSO FOR DEPUTY TO ASST SEC OF TREASURY (INTERNATIONAL
TAX POLICY) NATHAN GORDON

1. NEW DRAFT REGULATIONS ON TAXATION OF WESTERN
BUSINESSES IN POLAND ARE NOW IN THEIR FINAL FORM
AND SHOULD BE PUBLISHED IN MID-OCTOBER, ACCORDING TO
SOURCES IN THE POLISH MINISTRY OF FINANCE. NEW REGULA-
TIONS WILL APPLY TO TAXES DUE FROM "REVENUE-GENERATING"
COMMERCIAL OFFICES IN POLAND; AS OF NOW, ONLY DOW
CHEMICAL HAS APPLIED FOR OR RECEIVED AUTHORIZATION TO
OPEN SUCH AN OFFICE.

2. REGULATIONS WILL REDUCE MAXIMUM TAX RATE FROM
65 PERCENT TO 50PERCENT AND WILL MAKE IT CLEAR THAT NO TURNOVER TAX
IS TO BE LEVIED ON TRANSACTIONS BETWEEN FOREIGN FIRMS
AND POLISH FOREIGN TRADE ENTERPRISES. TAX OF 50PERCENT WILL
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BE DUE ON NET INCOME(PROFIT) OF COMMERCIAL OFFICES;

IS CASES IN WHICH PROFIT CANNOT BE DETERMINED, IT WILL
BE PRESUMED TO EQUAL 5PERCENT OF SALES.

3. DOW CHEMICAL REPRESENTATIVE CROSSAN AND EMBASSY
OFFICER MET SEPT 6 WITH MINISTRY OF FINANCE TAX
SPECIALIST BIALOBRZESKI AND ADVISER BONIUK TO DISCUSS
DOW'S TAX LIABILITY IN POLAND. CROSSAN'S PROPOSAL,
SUBMITTED TO MINISTRY IN JULY, THAT TAX BASE BE COMPUTED
AS 1.5PERCENT OF SALES WAS REJECTED BY BIALOBRZESKI, WHO NOTED
THAT DOW FIGURES SHOWED OVERALL CORPORATE NET PROFIT OF
7.5PERCENT OF SALES. CROSSAN STATED THAT DOW SALES TO POLAND
WERE EXCLUSIVELY IN LOW-MARGIN BULK CHEMICALS, NOT IN
HIGHLY PROFITABLE DOW CONSUMER PRODUCTS AND PHARMACEUTICALS,
BUT BIALOBRZESKI WAS UNCONVINCED THAT DOW OPERATIONS IN
POLAND RESULTED IN PROFITS OF LESS THAN 5 PERCENT OF SALES.
CROSSAN THEN PROPOSED THAT ALL DOW SALES IN POLAND BE
INVOICED AT DOW'S WARSAW OFFICE, SO THAT THE PROFIT OF
THE WARSAW OFFICE WOULD BE VISIBLE FROM THE OFFICE BOOKS.
BIALOBRZESKI REPLIED THAT SINCE DOW WARSAW WAS A BRANCH
OF DOW CHEMICAL AND WOULD BUY FROM DOW CHEMICAL
AFFILIATES, FIGURES COULD ALWAYS BE ADJUSTED TO SHOW
ONLY A MINIMAL PROFIT. IN SHORT, IT WAS CLEAR THAT
THE MINISTRY OF FINANCE INTENDS TO USE A TAX BASE NO
LOWER THAN 5PERCENT OF SALES.

4. CROSSAN BELIEVES THAT MINISTRY'S PROPOSAL WILL BE
ACCEPTABLE TO DOW, PROVIDING TAXES PAID IN POLAND
CAN BE CREDITED AGAINST TAXES DUE IN THE UNITED STATES.
A RULING ON THIS POINT HAS BEEN REQUESTED BY DOW
FROM TREASURY, HE ADDED. CROSSAN POINTED OUT THAT THE
MINISTRY OF FINANCE, IN ARGUING THAT DOW'S PROFITS
WERE 7.5PERCENT OF SALES, TOOK A FIGURE FOR AFTER-TAX PROFITS
A POINT HE BELIEVES THAT MINISTRY OVERLOOKED.

5. POLISH DRAFT REGULATION ALSO PROVIDE THAT NO
INCOME TAX WILL BE CHARGED ON PROFITS ON SALES ON WHICH
A COMMISSION IS PAID TO A POLISH COMMERCIAL AGENCY
FIRM.

6. EMBASSY WILL TRANSMIT TEXT OF NEW REGULATIONS WHEN
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AVAILABLE.
DAVIES

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